

STATE OF CALIFORNIA
CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY



TO: Board of Directors
California Power Authority

FROM: Jeanne Clinton, Deputy Director Conservation and Distributed Generation

DATE: April 12, 2002

SUBJECT: **Progress Report on Contract Negotiations with TruePricing, Inc. for
Financing of Real Time Meters to Small Businesses**

Summary:

On March 15, we informed the Board of four finalist bidders selected from the Power Authority's solicitation of proposals for financing real time meters. The target audiences are small business and residential power customers with electrical demand 200 kW. We had anticipated having final lending terms and conditions ready today for the Board's Approval for the TruePricing proposal. Although all parties have worked extremely diligently to have this ready by today, there are three outstanding issues that require further negotiation and resolution before we will ask for the Board's approval of the terms and subsequent documents to move forward with financing activities. The draft terms and conditions, and scope of the project are attached for the Board's reference. Staff hopes to return to the Board for final approval of this project financing at the next Board meeting.

Project Proposed:

This proposal targets small businesses, using a marketing channel focused on trade associations and chain owners/franchisers of multiple small business establishments. True Pricing proposes to enroll up to 10,000 small businesses, in two phases of 5,000 customers each. The total Power Authority financing would not exceed \$15 million (inclusive of all fees and costs), most likely to be executed in two phases of \$6-7 million each.

Participating businesses would agree to enroll in a program that combines a real time meter, data communication system, voluntary enrollment in a time-of-use power tariff, and Internet-based customer-specific data. The Internet data system will provide information on the business' energy use, costs by time of day, and information on maximizing bill reductions by shifting usage off-peak and/or taking energy efficiency measures. The TruePricing business concept does not require any distribution utility to commit funds to the revenue stream for this project. The enrolled business would agree to a loan of approximately \$1,200 to cover program costs, including the hardware, software, and data services. The business would pay an initial monthly

fee of \$50-60 until the CPA loan was repaid (in 60-72 months), after which time the monthly payments would drop to pay only for the continuing business data services. Exact loan amounts and customer monthly charges will depend upon final structuring of the deal, credit, and other business arrangements.

Issues Still in Negotiation:

There are three issue areas where further negotiations and solutions are still under discussion. These are:

1. Exact roles and responsibilities of TruePricing, its partners, and the Power Authority. The Power Authority's goal is to have the CPA be the equivalent of a pure "lender", and not to establish an "agency" role between the CPA and the borrowing parties.
2. Definition of the actual borrower, among the several parties in the business case, including TruePricing and TrueEnergy, a California limited liability company.
3. Establishing adequate credit support, relative to the final structure of the deal and its associated risks, so as to ensure a financeable transaction in the financial markets.

Next Steps:

Earlier this week, CPA staff, including its general counsel and financial advisor, identified the outstanding lending issues and requirements of the CPA, and conveyed these to the project applicant, TruePricing. We will continue to work diligently over the next week or two to achieve final resolution of these issues, and will return to the Board for final lending approval as soon as the key issues are resolved. We hope that we will have this request to the Board at the April 26 meeting.

Attachments:

- Draft terms and conditions of the TruePricing small business real time metering project financing
- Scope of the project

Terms and Conditions of Loan by California Power Authority (CPA) in Support of Small Business Real-Time Metering Service with TrueEnergy, LLC

[NOTE: this recitation is not to be considered an obligation or commitment on behalf of either party, until and unless incorporated into a loan agreement executed by both parties. Any and all funding is conditioned on the final approval of the CPA, including, without limitation, successfully meeting the requirements of the CPA bond counsel's due diligence, funding requirements, approvals of the bond underwriters, and the successful close of financing by the funding and issuance of the bonds, as applicable.]

Contents

- I. Overview
- II. Parties
- III. Terms and Conditions
- IV. Scope of Services

I. Overview

1. Borrower is developing and managing a business and business plan to, among other things, provide interval meters and associated meter data to small commercial electricity users.
2. Borrower has requested a credit facility of up to approximately \$12 million (exclusive of actual underwriting fees and direct costs) of CPA revenue bond debt or otherwise available financing in two tranches. In the first tranche, the CPA's funding commitment is limited to \$6 million ("Phase I Loan Commitment"), exclusive of underwriting and issuance costs.

With this commitment amount, Borrower will coordinate the purchase and installation of 5,000 individual interval meters and supporting meter data infrastructure to be placed with electricity end-users. The financing will provide funds for associated management fees of \$150,000 a month for an initial period of five (5) months to be paid by Borrower, representing \$750,000 that is included in the debt financing.

- III. The CPA financing will be repaid by Borrower from certain financing and service proceeds more particularly described in the Scope of Services of Borrower.
- IV. In addition to the direct obligations of Borrower Services, the loan will further be secured by (i) the pledge of underlying notes made by business customers of Borrower, (ii) an underlying security interest in the physical metering, (iii) a cash collateral account in an amount reasonably determined by the CPA, and (iv) a corporate guaranty of Millennium Energy Holdings, Inc., a wholly-owned subsidiary of Unisource Energy Corporation (NYSE:UNS).

General comments:

- Borrower is not in a programmatic relationship with the CPA. TruePricing, Inc., a Delaware corporation, is sponsoring an end-to-end advanced metering and related infrastructure program for small business owners, and this credit facility is being established for Borrower for the exclusive funding of that program.
- The structure, as contemplated, limits upfront development costs to be paid from bond proceeds to amounts also covered by a performance bond. Other systems/ front-end costs will be recovered on a per-meter basis as meters are installed. Systems must be in place and operable before any per meter charges will be paid out of bond proceeds. Need to run this language by TP, to make sure we agree. This is my understanding.
- The commercial credit nature of the proposed business credits will necessarily require substantial credit guarantees, as determined in the CPA's discretion.
- The overall efficiency of the proposed repayment structuring, together with the offered and potentially CPA required enhanced security, remains under financial review and contract negotiation.

II. Parties, Project, and Financing

Lender:	California Consumer Power and Conservation Financing Authority ("Lender").
Borrower:	TrueEnergy, LLC, a California limited liability company, and a wholly-owned subsidiary of TruePricing, Inc.
Project Manager:	TruePricing, Inc. ("Manager")
Guarantor(s):	Millennium Energy Holdings, Inc. ("Guarantor"), a creditworthy affiliate of Borrower acceptable to Lender.

III. Terms and Conditions

Phase I Loan Commitment:	\$6 million.
Project Locations:	Sited at points of current receipt of electrical service by participating business customers, primarily in the three investor-owned electric utility service areas in California.
Description of Equipment and Services:	Refer to Scope of Services of Borrower
Period of Service:	5 years, or as determined in final negotiations.

Maximum Loan Amount:	\$15 million (inclusive of actual third-party underwriting fees, direct costs, and potential reserve fund). Not to exceed a per meter price cap of \$ (<i>tbd</i>).
Project Development:	Borrower shall be responsible for all aspects of development, permitting, engineering, procurement, installation, testing, start-up, commissioning, and completion of the small business metering project ("Project Development").
Draws Against Facility:	Borrower will submit periodic requests for draws against the Phase I Loan Commitment in a form acceptable to lender and lender shall coordinate and execute on the funding related to such request within three (3, <i>or tbd</i>) business days, provided that draws against the referenced facility shall occur in minimum amounts of \$50,000 or more.
Closing Documents:	Loan Agreement between Lender and Borrower, together with the submission of all required credit enhancements in a form acceptable to Lender.
Project Documents:	Borrower to enter into all necessary contracts to commence and complete the Project Development, all as more particularly described on page 3 of the Scope of Services of Borrower.
Marketing and Installation Period:	The period commencing on the date of the bond proceed release and ending upon that certain date twenty-four (24) months thereafter .
Services Period:	The period commencing upon Commercial Operations and ending at the conclusion of the term of the loan agreement.
Business Start-up/ Marketing Costs: Financing:	Refer to Scope of Services of Borrower Taxable financing of the Purchase Price shall be arranged and provided by Lender under arrangements acceptable to Borrower. <i>Scheduled payments of principal and accrued interest on such financing shall constitute the "Finance Charge".</i> Notwithstanding the foregoing interest shall only accrue and be payable to Borrower to the extent of the principal amounts outstanding to Borrower from time to time as the result of actual draws against Lender's credit facility.
Taxes:	Lender and Borrower will make reasonable efforts to apply for, or make available to, all available exemptions, abatements, or other reductions on sales and use taxes, real and personal property taxes, and other taxes with respect to the activities and

equipment provided.

Data Warehouse and Customer Internet Site Development Costs: Borrower's development costs of \$3,000,000 will be supported by periodic drawdowns from the maximum loan amount. Drawdowns to be paid at the rate of [\$_____] per installed and activated meter, with ordinary and reasonable validation via signed customer contracts and meter installation verification. All specified project costs to be financed by Lender's issuance of bonds or other financing.

Customer Service Plan: Per Scope of Services of Borrower

Coordination with local electric distribution utility: *[Final terms will address ownership of meter, meter reading function, ownership of data, any exchange of services or payments, etc.]*

Testing and Operational Auditing of Metering and Communication System: To be performed at time of installation and through established protocols for remote testing.

Quality Specifications: Advanced meters to meet all required CPUC standards for revenue generation and reliability, consistent with good and reasonable utility practices and procedures.

Metering and Billing: The Agreement will set forth procedures for metering, billing, and payment, including procedures for periodic reading, testing, calibration and maintenance of meters, and adjustment for meter errors.

Payment Terms: Each draw will mature in seventy-two (72) months and shall include standard commercial terms in a form acceptable to CPA.

Warranty Period: 5 years on meter; 5 years on meter communication system, and five (5) years of service available for Internet-based meter data service

Manager Duties: Borrower will principally subcontract its operation and maintenance of the advanced metering infrastructure consistent to TruePricing, Inc. with the Scope of Services of Borrower.

Except as expressly set forth in the CESA or Tolling Contract, Borrower shall have sole responsibility and provide all personnel and services for managing, operating and maintaining the project. Borrower shall:

	<ul style="list-style-type: none"> • prepare monthly reports as required by Lender • enforce contractor and vendor warranties; • provide all accounting, engineering, construction, legal and professional support required for the Services; and • <i>[add others, if any]</i>.
General Standards of Performance:	Borrower and Manager will comply with prudent business practice, and applicable codes, laws, regulations, permits, and insurance requirements, and in such a manner that no equipment warranties are revoked by its acts or omissions.
Permit Responsibility:	Borrower shall obtain and maintain <i>[list Borrower permits, if any]</i> and all other provisions of permits and authorizations required for Project Development or for provision of the Services.
Security:	<p>Borrower shall post security for performance of their obligations under the Loan Agreement, contract, and ... in the form of: {to be specified, but to include:</p> <p>(i) the pledge of underlying notes made by business customers of Borrower, (ii) an underlying security interest in the physical metering, (iii) a cash collateral account in an amount reasonably determined by the CPA, and (iv) a corporate guaranty of Millennium Energy Holdings, Inc., a wholly-owned subsidiary of Unisource Energy Corporation (NYSE:UNS).</p> <p><u>(NOTE:</u> the obligations of Guarantor remain subject to final review and approval of Guarantor).</p>
Status of Borrower:	<p>The contract agreement shall provide that upon failure of the obligation of the borrower to meet its business plan or schedule targets the CPA will exercise its right to call on and drawdown an irrevocable letter of credit guarantee.</p> <p>Except as expressly set forth in the loan agreement, Borrower shall act as a borrower only and not as an independent contractor of Lender.</p>
Termination for Convenience:	<i>[Language to be determined]</i>
Conclusion of Term;	<i>[Text to be determined, such as: At the conclusion of the loan term, {anyone?} may elect to purchase the Project from</i>
Purchase Option:	<i>Borrower at its fair market value, and assume and renew the customer contracts at fair market value.</i> <i>At the conclusion of the Service Period, Borrower shall surrender the Project, in good working order and for no additional consideration, to] or, if ...has exercised its purchase option at the conclusion of the Contract Term, to]</i>

Representations and Warranties, Events of Default, Remedies, Indemnification, and Termination:	Contracts will contain representations and warranties, provisions respecting default, remedies, indemnification, and termination, and other provisions as may be customary for transactions of this type or as may be reasonably required by Lender.
Force Majeure Events:	No actions or events can impact the repayment of the bonds. Beyond this, each Party's performance may be excused for limited Force Majeure Events. The force majeure provisions also will include provisions for notices and mitigation of Force Majeure Events, and will address the Parties' continuing obligations, suspension, and termination rights during outages caused by Force Majeure Events.
Assignments; Liens:	Neither Lender nor Borrower shall assign, pledge, or otherwise transfer all or any portion of its rights or obligations under the Contract (except to the trustee for the bond holders) without the consent of the other contract signatory.
Subcontracting:	Except for the administration and servicing of infrastructure financing to business customers, Borrower shall principally subcontract all of its installation-related obligations to TruePricing, Inc. and the other vendors and service providers identified in the Scope of Services of Borrower. If there are material changes to that list, Borrower will coordinate in advance with Lender.
Confidentiality; Intellectual Property:	Lender shall be required to keep confidential all confidential or proprietary information of Borrower, Guarantor, their affiliates, suppliers, subcontractors, representatives and agents acquired or developed as part of the project or the delivery of services hereunder. Borrower shall obtain and exclusively own all right, title and interest, whether direct or indirect, in and to the intellectual property arising from or relating to the Project Development and services.
Casualty and Condemnations:	Upon a loss due to casualty or condemnation, including a total loss, Borrower shall restore or replace the meters, communication systems, and Internet site in a manner consistent with the contract terms of its service agreement.
Insurance:	Insurance shall be obtained and maintained in a form acceptable to Lender.
Dispute Resolution:	All parties shall first employ informal methods to avoid and or resolve disputes. The formal dispute resolution process, i.e.

litigation, arbitration, or mediation, will be as agreed upon by the parties and so stated in the Closing Documents.

Transaction Costs: Lender and Borrower shall pay its own transaction costs (including fees and expenses of counsel) of negotiating and entering into the Closing Documents. Lender's transaction costs will be included in the fees or expenses included in the financed amount (loan amount).

IV. Scope of Services

Borrower shall perform the Project Development consistent with the Scope of Services of Borrower attached hereto as Exhibit A and by this reference made a part hereof. Material changes to the Scope of Services will be coordinated in advance by Borrower.

The CPA will provide a financing mechanism for capital and development needs of the program. Such financing will be supported solely on the credit of the Program.

**CALIFORNIA CONSUMER POWER AND
CONSERVATION FINANCING AUTHORITY**



EXHIBIT A

**TrueEnergy/ TruePricing
Small Business Real Time Metering
SCOPE OF SERVICES (April 9, 2002)**

METERING PROGRAM OVERVIEW.

This Scope of Services defines an advanced metering program and series of technical services (the "Program") to be performed by TrueEnergy, LLC, a California limited liability company (the "Borrower"). Borrower will implement an advanced metering program for California small businesses. Targeting California small businesses with peak electricity demand between 50 and 500 kW (with an emphasis on the 50 to 200 kW range, "Program Participants"), the Program will finance and manage the installation of up to 10,000 interval meters. Additionally, the Program will provide Program Participants with the following: (i) access to time-of-use ("TOU") tariff schedules and rate schedule optimization generally, as applicable, and (ii) web-enabled secured access to daily interval energy data through information tools provided over the Authority's website or a site co-branded with Borrower.

Borrower will manage the acquisition and installation of meters and meter communication lines, including, where appropriate, coordination with investor-owned utilities ("IOUs") and municipal utilities. Borrower will also provide for the collection and storage of electronic data in an energy data warehouse designed specifically for the Program. From this data warehouse, Borrower will provide secure access to interval data for both Program Participants and the Authority through useful web-enabled tools and applications (collectively, "Data Services"). The Program will set the stage for a more advanced electricity infrastructure within California and help pave the way for future load reacting and reducing programs. The Program components are flexible to ensure the success of the Program within the state's existing market structure – a market structure which presents both opportunities and barriers. The Program initially targets Southern California Edison ("SCE"), Pacific Gas and Electric ("PG&E"), and San Diego Gas & Electric ("SDG&E") territories with implementation over an eighteen-month schedule.

PROGRAM DEFINITION.

Borrower will manage the implementation of six general Program tasks that are listed below. The six tasks are as follows:

- Marketing and Enrollment;
- Meter Acquisition;
- Meter Installation;
- Data Acquisition;
- Data Services; and
- Program Management.

The Authority will finance the purchase of up to 10,000 California Public Utilities Commission ("CPUC") certified meters on behalf of Program Participants. Meter installations will be scheduled in coordination with the applicable utility, as necessary, to ensure compliance with applicable requirements and no data disconnects for revenue generating operations. The meters will then be installed at Program Participant locations by a Meter Service Provider ("MSP") in instances involving IOU customers. For installations involving a municipal utility customer, Borrower will ensure compliance with the host utility's requirements.

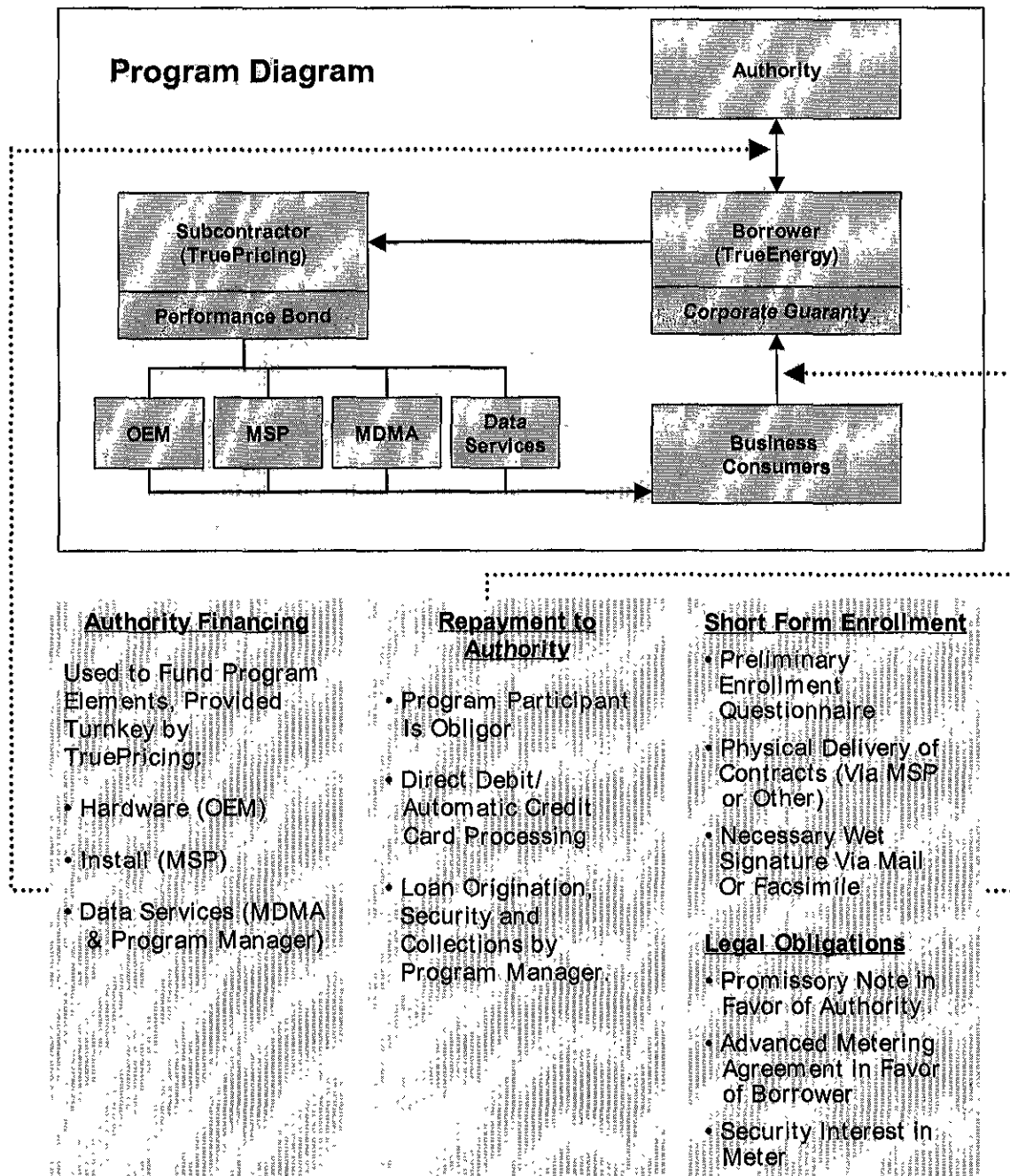
The meters will then be connected via modem or other form of communication line to a Metering Data Management Agent (including other authorized data managers, "MDMA"), which will receive telephone calls made by the meter at specified intervals over existing Program Participant telephone lines. Meter telephone calls from Program Participants will be made to a toll-free telephone number maintained by the MDMA. The telephone calls will take place daily in the early morning hours (i.e., between 3 a.m. and 5 a.m.) and will transmit 15-minute or other interval usage data collected by the meter in the previous day to the MDMA.

Both Borrower and the applicable utility will receive the meter data from the MDMA via the incumbent utility's accepted channels. Utilities will continue to utilize the data for normal operations including revenue generation. Borrower will store the electronic data in a data warehouse as part of the Program. Using proprietary and other energy management software, Borrower will give Program Participants access to web-enabled interfaces that present, among other things, a daily and historical view of their usage profiles through secured "drop down" screens.

As a result, Program Participants will be in a better position to forecast potential energy cost savings, develop and execute on energy conservation strategies, and manage budgeted energy costs to actual costs. The Authority will also have access to the referenced meter data, providing visibility into valuable usage trends and the current

state of affairs of the system. Benefits to the Authority further include having access to key measurement and verification data to drive the design and creation of new conservation programs.

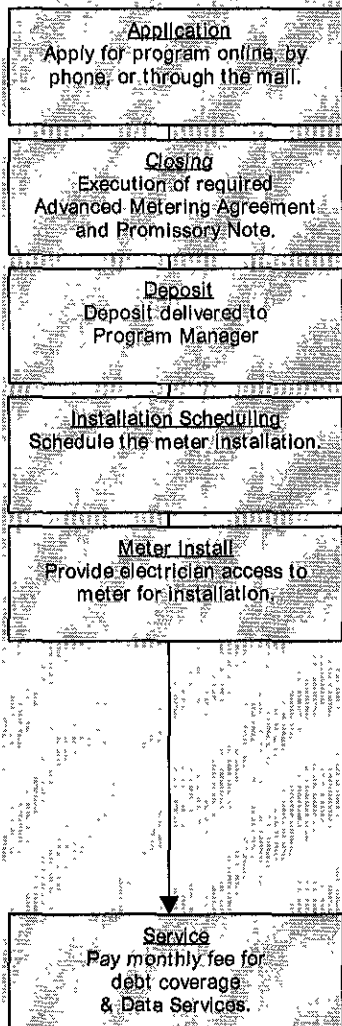
PROGRAM STRUCTURE.



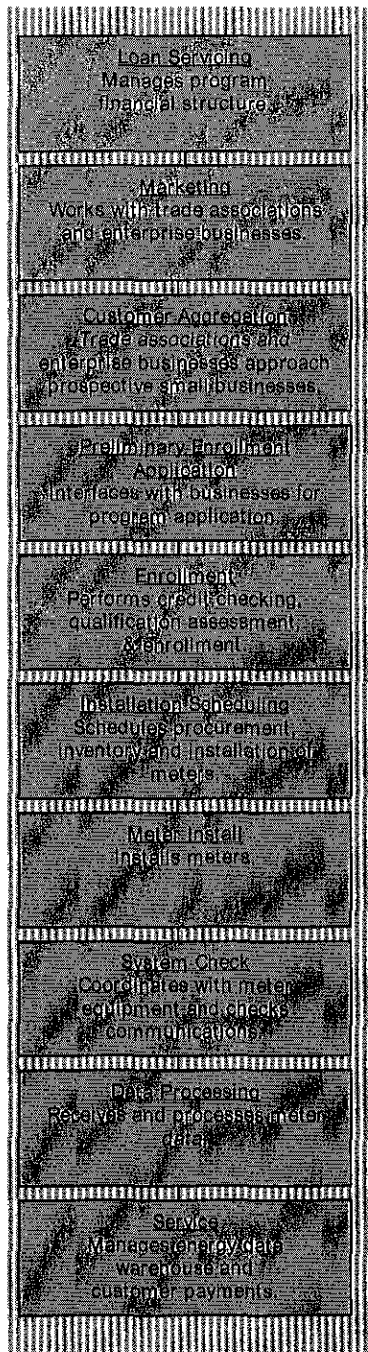
PROGRAM ROLES.

Within the framework of the Program structure, as depicted on the preceding page, below please find the various roles of the Parties:

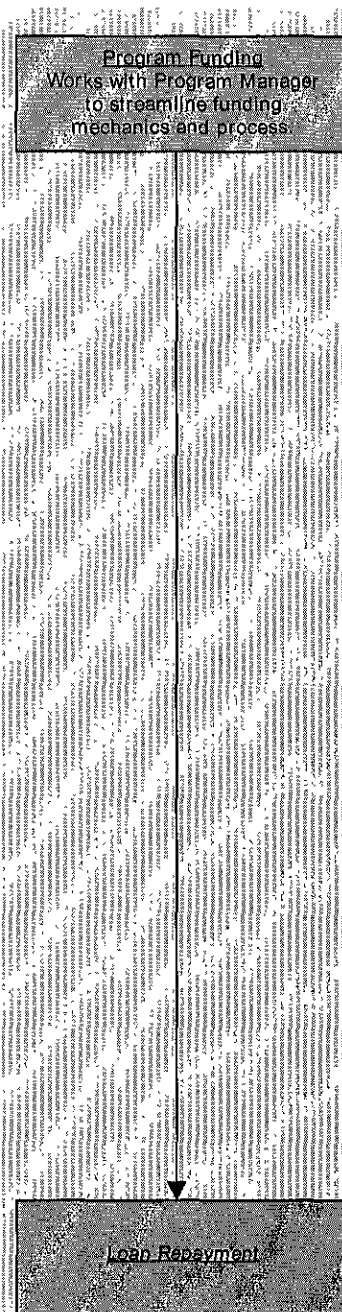
Program Participant



Borrower & Subcontractors



Authority



TASKS & MILESTONES.

The Program will be implemented in two phases. Phase I involves the installation of 5,000 meters by Borrower through financing from the Authority's Phase I Funding Commitment. Under Phase II of the program, the Parties will continue to rollout and scale efficiencies within an extended Program that will likely exceed 10,000 meters, with increased funding up to \$11.5 million.

Under the Authority's direction, Borrower will implement the Program consistent with the following eight (8) tasks. The milestones associated with each task are reasonable estimates by the Parties as of the date of the Agreement and actual completion dates will vary. In addition, there may be other tasks or regulatory issues that arise in course of implementing the Program that could alter the timeframes noted below. The milestones below are also dependent upon the marketing success of the program. Accordingly, Borrower will work closely with the Authority to monitor and adjust the milestones below to accommodate for market and regulatory conditions

Task 1-- Implement Risk Management Strategies For Business Participants (Months 1-3).

Borrower will implement four strategies to minimize the credit risk:

- Target High Credit Quality Customers

The Program is focused on business customers that (i) have multi-metered electrical service and (ii) are well established with above average credit quality.

- Initial Credit Screen and Assessment

Borrower will use a formal, evaluative credit matrix and threshold standard that must be met prior to processing our standard form Advanced Metering Agreement and Promissory Note with any prospective Program Participant. As part of this credit screen, we evaluate all business prospects using a Preliminary Enrollment Questionnaire. This Preliminary Enrollment Questionnaire will assess each business prospect's meter account information together with the prospect's payment history, i.e., compared to PAYDEX scores within its same SIC code. As a threshold matter, this ensures that payment histories reflect above average timeliness in third-party payments. A second condition precedent to Program participation is an overall D&B Composite Credit Appraisal score of "3" or better.

- **Security Deposits**

Borrower will establish a security or other form of deposit equal to ten percent (10%) of the loan amount (per meter) that is due and collected at the time of execution of our standard form Advance Metering Agreement and Promissory Note. These deposits fund a cash collateral account maintained by Borrower for the Authority's benefit to ensure all loans are repaid. The account will be maintained in an amount equal to ten percent (10%) of the amount of outstanding loans, and upon maturity, the deposits will be applied to the final payment obligation of each underlying note.

- **Security Interest in Advanced Meters**

Borrower will ensure its Advanced Metering Agreement and Promissory Note contains the required language to create a security interest in the physical meter, while also providing that the Advanced Metering Agreement itself can be filed with the Secretary of State's office. The security interest will become null and void upon repayment of the underlying loan.

Task 2-- Provide Additional Credit Enhancements to the Program (Month 1).

Borrower will provide meaningful, secondary credit enhancements to support the Program, including a performance bond, a possessory security interest in a cash collateral account, and a third-party corporate guaranty:

- **Performance Bond**

Borrower will provide the Authority with a performance bond in the face amount of \$500,000 to bond over any performance risk related to Borrower's obligations under the Program. The surety will be "A+" rated by A.M. Best.

- **Cash Collateral Account**

Borrower will maintain a cash collateral account for the benefit of the Authority equal to ten percent (10%) of actual business loans outstanding. Physical possession of cash accounts creates a possessory common law security interest under California law. In execution, Borrower will open a Borrower bank account for the deposit of the requisite amount of cash proceeds in a bank used by the Authority to preserve rights of set-off by the Authority or its designated financial institution. Standard bank forms will be used to evidence the Authority's rights in and to the referenced cash account.

Borrower's obligations will be fulfilled by the collection of security or other deposits at the time of loan document execution equal to \$120, but not less than ten percent (10%) of the face amount of each per meter loan.

- Corporate Guaranty

Millennium Energy Holdings, Inc. is a wholly owned subsidiary of UniSource Energy Corporation (NYSE:UNS) and principally serves as the parent for UniSource's unregulated subsidiaries and affiliates. As an additional credit enhancement, Millennium Energy will provide a secondary corporate guaranty to the above-referenced credit enhancements, all in a form reasonably acceptable to Millennium Energy. The corporate guaranty will be in the face amount of \$1 million.

Task 3 -- Marketing and Enrollment of Program Participants (Months 1 - 18).

Borrower will market the Program to eligible Program Participants through government, utility and trade associations, such as the California Retailers Association, California Business Properties Association and others. Customer sign-up and enrollment will principally occur through direct mail, facsimile and other forms of registration.

Moreover, Borrower will manage, as applicable:

- Marketing strategy for the Program;
- Application and qualification requirements for the Program;
- Creation of informative marketing materials for the Program;
- *Program enrollment and marketing through trade associations and other groups;*
- Program enrollment through state and local government agencies, as required;
- Program enrollment through utility marketing channels, as required;
- Development of Program information for integration and display on the Authority's website or other co-branded website; and
- *Coordination of all relevant utility requirements and processes.*

Task 4 -- Meter Acquisition (Months 3 - 18).

Borrower will acquire all meters and meter related technologies for the Program. In so doing, Borrower will manage or coordinate the following:

- Purchase of qualified meters from Schlumberger or other similarly qualified vendors;
- *Schedule and delivery of all meters; and*
- Inventory management for all meters.

Task 5 -- Meter Installation and Maintenance (Months 4 - 18).

Borrower will manage all meter installations and maintenance through Applied Metering Technologies (AMT), a registered MSP in California, the utility distribution company or other qualified service providers.

Borrower will manage or coordinate the following:

- Creation and delivery of informative materials regarding meter installation for Program Participants;
- Scheduling of *pre-installation inspection visits*, as necessary;
- Coordination and scheduling with utilities for meter installation, as necessary;
- Meter installation queue management and tracking, including telephone line installation, telephone line extensions;
- Installation of meters and associated communication lines;
- Verification and reconciliation of data management with associated MDMA's;
- Maintenance of meters; and
- Coordination with utilities regarding issues and conflicts regarding meters and meter reads.

Task 6 -- Data Acquisition (Months 6 - 18).

Borrower will manage data acquisition services, including gathering data from meters and distributing the data to the Borrower's energy data warehouse. This data acquisition service will be managed through FirstPoint and/or IM Services, both are registered MDMA's in California. In some cases, the utility may provide the MDMA service.

Where applicable, Borrower will manage or coordinate:

- Coordination with MSP to validate data link with meter at time of installation;
- Execution of necessary programming of meter via telephone-modem or other communication;
- Retrieval of 15-minute or other interval data from meter;
- Transfer of interval data to the Borrower's energy data warehouse with 24/7 hosting and support by Borrower; and
- Transfer of interval data to the host utility, as necessary.

Task 7 –Data Services (Months 3 - 18).

Borrower will implement and manage the presentation of meter data, as well as data analyzing tools to Program Participants and the Authority.

Borrower will also manage or coordinate, as applicable:

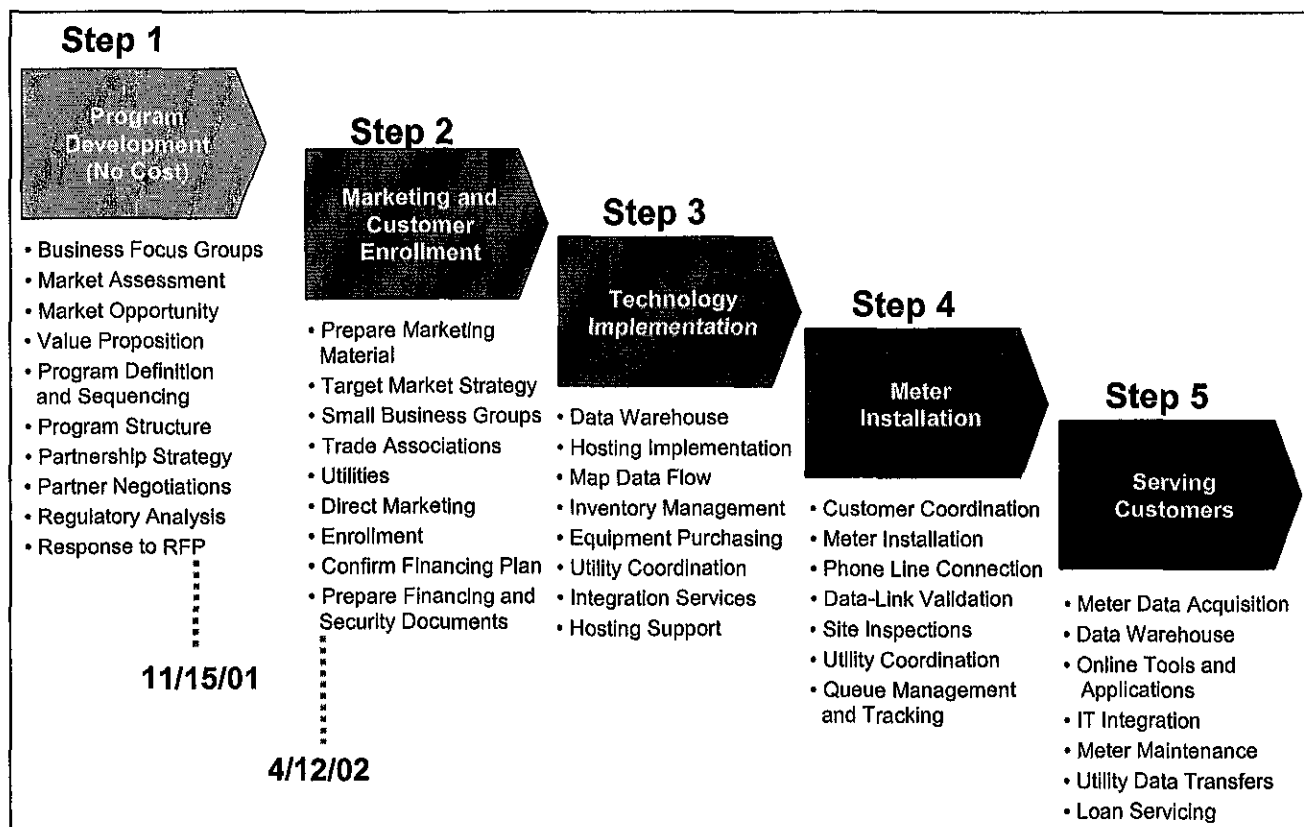
- The hosting services for the Borrower's data warehouse;
- The development of the Borrower's data warehousing and electronic storage of all meter data;
- Presentation of meter data on a daily and historical basis for all data captured during the Program;
- Presentation of meter data using proprietary software tools on (i) a meter-by-meter basis for individual Program Participants; and (ii) in aggregate for Program Participants to collectively view data from multiple meter locations;
- Presentation of meter data to the Authority; and
- *Maintenance of security and permission structures within data warehouse and website.*

Task 8 -- Program Administration (Months 1 - 18).

Borrower will coordinate, schedule and manage all Program subcontractors, including, among other things, the following:

- Schedule of Program roll-out and installations with MSPs;
- *Schedule all data gathering services with MDMA's;*
- Service loans with Program Participants directly via credit card, direct debits from bank accounts, and/or receipt of checks;
- Manage remittances of all fees to subcontractors and the Authority for its underlying financing; and
- In lieu of current billing and remittance procedures outlined in this Program, collect funds from utilities for charges passed through utility invoices, if directed in writing by the Authority and provided any additional costs to Borrower are reimbursed.

IMPLEMENTATION DIAGRAM.



PRICING.

Total Program Costs

The overall Program requires funding equal to \$11.5 million to install 10,000 advanced metering systems. Actual Program costs may vary based upon total program participation and implementation schedule. The Program economics are as follows:

Table 1 -Total Program Costs
(U.S. Dollars)

Tasks	Cost
Program Management	\$600,000
Marketing	\$350,000
Enrollment	\$300,000
Data Warehouse & Integration Services	\$3,000,000
Meter Equipment	\$4,500,000
Meter Installation & Phone Line Setup	\$2,500,000
Meter Communication Setup	\$250,000
TOTAL AUTHORITY INVESTMENT	\$11,500,000

For purposes of implementation, the Parties have agreed to stagger the Program into two (2) separate phases with each phase targeting the installation of 5,000 meters.

Phase I Funding Allocation

Phase I is a \$6 million dollar commitment within the overall framework of an \$11.5 million dollar facility. Allocations within Phase I of the Program to Borrower fall into two principal categories: (i) recoverable mobilization costs; and (ii) recoverable hardware and installation costs.

- **Recoverable Mobilization Costs**

Program management by Borrower includes marketing, customer enrollment, loan administration and the integration of the required information technology infrastructure. Borrower's mobilization costs to complete Phase I would be limited to five (5) equal payments of \$150,000.00 per month for five (5) months. This represents an advance of \$750,000.00 against the obligations of the Program Participants and leaves a Phase I Funding Commitment balance remaining of \$5.25 million; and

- Recoverable Hardware, Installation and Other Costs

The per meter loan obligation of each Program Participant is \$1,200.00. \$150.00 of that amount is advanced to Borrower during the first five months of the program, as “recoverable” mobilization costs. The remaining balance of \$1,050.00 per meter is funded by account transfers from the Authority to Borrower concurrent with the closing of each loan. The \$5.25 million allocated to these costs are funded in accordance with the timing of individual loan closings.

MONTHLY SERVICE FEES AND DEBT SERVICE.

Monthly Program Participant fees during Phase I are as follows:

Table 2 – Monthly Service Fees*
(U.S. Dollars)

Monthly Cost to Program Participants (5,000 Meters – Phase I)	Cost Per Meter
Meter (Subcontractor) Maintenance	\$12.00/mo
Data Management (Subcontractor) Data Gathering Services	9.00/mo
Data Services (Borrower) Data Warehouse & Website Application	6.90/mo
Financing (Authority) Authority Repayment: Principal	20.00/mo
Authority Repayment: Interest	3.60/mo
Credit (Borrower) Bad Debt Risk	3.50/mo
TOTAL CUSTOMER FEES	55.00/mo

**** These numbers will change based upon the cost of funds to Borrower and actual transactional costs associated with funding.***

Phase I Authority Repayment Schedule

The Authority receives \$23.60 per month per meter of the \$55.00 per month per meter as debt service. Accordingly, the Authority repayment schedule is as outlined in Table 3 below.

Table 3 - Authority Repayment Schedule¹
(U.S. Dollars)

	<u>12</u>	<u>24</u>	<u>36</u>	<u>48</u>	<u>60</u>	<u>72</u>
Program Investment	(6,000,000)					
Cost Recovery	708,000	1,416,000	1,416,000	1,416,000	1,416,000	708,000
Authority Program Balance	(5,292,000)	(3,876,000)	(2,460,000)	(1,044,000)	372,000	1,080,000

PHASE II: PRICING STRUCTURE AND MECHANICS.

The Parties are dedicated to making Phase I a success and based upon reasonable Phase I progress and actual experience with installation rates, the Parties agree to collegially determine the approximate time to commence Phase II and extend the firm loan commitment from \$6 million to \$11.5 million.

¹ Loan servicing figures in Table 3 assume a 6% interest rate.